

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES **AUDIT** OFFICE
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2015 Audit Plan

Rhondda Cynon Taf Pension Fund

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Status of document

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2015 Audit Plan

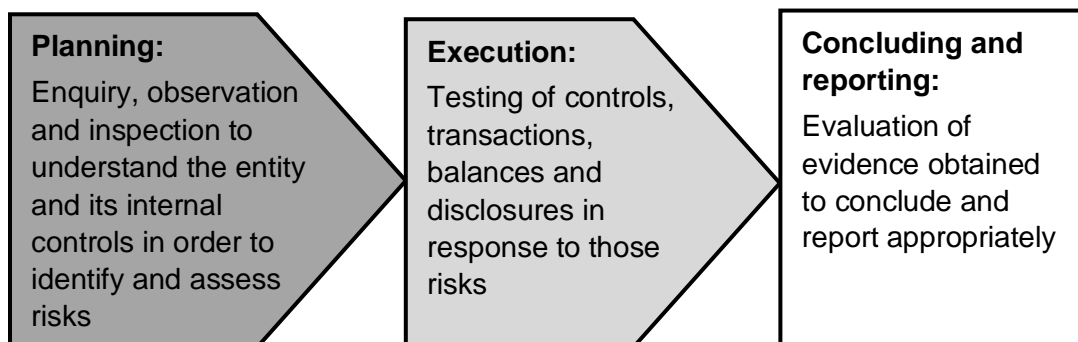
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Rhondda Cynon Taf Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of Pension Fund accounts

4. It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.[Appendix 1](#) sets out my responsibilities in full.
5. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



6. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>There is an inherent risk of material misstatement due to fraud in revenue recognition in entities with material revenue sources and as such this is treated as a significant risk. Our assessment of the Pension Fund's income sources indicates that this could apply to investment income.</p>	<p>My audit team will review investment income transactions, reviewing specifically for potential material fraud</p>
<p>There have been material bulk transfers during the year to and from the fund relating to probation services employees</p>	<p>My audit team will focus its testing to ensure accounting treatment is correct for bulk transfers</p>
<p>External investment managers are appointed to manage the investment portfolio. Their own systems and records together with the custodian's bank account information will generate account entries made to the Pension Fund account and net assets statement. During the year the Council identified errors in one fund manager's interim valuation although this was corrected.</p>	<p>My audit team will obtain direct confirmation from the fund managers of year end investment balances, and consider whether investment managers' internal control reports indicate specific risk to these balances. My audit team will also test the integrity of fund managers' reports</p>

7. I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Fund Investment and Administration Panel and to those charged with governance for Rhondda Cynon Taf County Borough Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
8. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
9. My fees are based on the following assumptions:

- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
- appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

Risk of fraud

10. International Standards on Auditing (UK&I) state that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of those charged with governance
<p>My objectives are to:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial statements due to fraud; • obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and • respond appropriately to fraud or suspected fraud identified during the audit. 	<p>Management's responsibilities in relation to fraud are to:</p> <ul style="list-style-type: none"> • design and implement programmes and controls to prevent, deter and detect fraud; • ensure that the entity's culture and environment promote ethical behaviour; and • perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation. 	<p>Your responsibility as part of your governance role is to:</p> <ul style="list-style-type: none"> • evaluate management's identification of fraud risk, implementation of antifraud measures and creation of appropriate 'tone at the top'; and • ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.

We will write to both management and those charged with governance to explain these responsibilities further and make enquiries of how the responsibilities have been discharged.

Pension Fund Annual Report

11. In addition to including the Pension Fund accounts in their main accounting statements, administering authorities are required to publish a Pension Fund Annual Report which must include the Pension Fund accounts.
12. I am required to read the Pension Fund Annual Report and consider whether the information it contains is consistent with the audited Pension Fund accounts included in the Council's main accounting statements.
13. I also issue an audit statement confirming the consistency of the accounts included in the Annual Report with the audited Pension Fund accounts.

Fee, audit team and timetable

Fee

14. Your estimated fee for 2015 is set out in **Exhibit 3**.

Exhibit 3: Audit fee

Audit area	Proposed fee for 2015 (£) ¹	Actual fee for 2014 (£)
Audit of Pension Fund accounts	39,385	39,385

15. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Finance.
16. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

Audit team

17. The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

Exhibit 4: My team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Lead – Financial Audit	07776 163851	john.herniman@wao.gov.uk
Jeremy Saunders	Financial Audit Manager	07810 832434	jeremy.saunders@wao.gov.uk

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Name	Role	Contact number	E-mail address
Julia Manfield	Financial Audit Team Leader	07971 319644	julia.manfield@wao.gov.uk

18. I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

19. I will provide reports, or other outputs as agreed, to the Council, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: Timetable

Planned output	Work undertaken	Report finalised
2015 Audit Plan	November 2014 – January 2015	April 2015
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements 	February – September 2015	September 2015 September 2015
2016 Audit Plan	October – December 2015	January 2016

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

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